UCSF
SPECIAL EDITION
Newsbreak
News for the UCSF Campus Community
NOVEMBER 18, 1996

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Regents approve formation of UCSF Stanford Health Care

In a defining moment in University of California history, the UC Board of Regents voted 14-2 Friday to approve the formation of a new, nonprofit public benefit corporation that unites the clinical services of UCSF and Stanford.

The Stanford Board of Trustees unanimously endorsed the merger on Friday morning as well.

The corporation, to be called UCSF Stanford Health Care, will oversee the joint operations of UCSF and Stanford medical centers effective July 1997. The combined name serves as a reminder that UCSF Stanford Health Care will continue to provide the same excellent educational, research, and patient care services for the public.

"I am extremely pleased that the UC Regents voted to approve the formation of UCSF Stanford Health Care," said Bill Kerr, director of the UCSF Medical Center. "Our staff and faculty, our patients, indeed all the citizens of California will benefit from this decision, which will preserve our preeminence as an academic medical center."

The Regents' vote came shortly after 10 a.m. in their meeting at Laurel Heights and represents a major step in a year-long effort by senior officials at UCSF and Stanford and teams of lawyers and consultants, who examined the financial, social, political and legal issues involved.

"In the long term, we expect our collaborations to have a positive effect on translating medical research directly to patients, on making more of the fruits of biotechnology available to the public, and on the economic as well as physical health of the Bay Area," said Chancellor Joseph Martin.

The merger will be final after the adoption of agreements including those that detail the corporation's support for the medical schools, establish compensation packages for physicians and other academic personnel, and determine the assumption or assignment of liabilities and assets. The Regents will be asked to approve a process for adoption of those agreements in January. (See timeline below.)

State Attorney General Dan Lungren will rule on charitable trust and antitrust issues. Other regulatory agencies, including the US Department of Justice and the Federal Trade Commission, may also review the transaction, according to UC General Counsel.

In approving the merger, Lieutenant Gov. Gray Davis, an ex officio regent, said he is convinced more employees are likely to lose their jobs if UCSF operates independently than if the University merged with Stanford Health Care Services.

"The merger of UCSF and Stanford clinical activities has the potential to enrich the teaching and research programs of the two universities, to create extraordinary opportunities to move research discoveries to the bedside, and to provide a stronger financial underpinning for the clinical enterprise," said UC President Richard Atkinson.

Atkinson, acting on behalf of the Regents, will take steps toward approving the articles of incorporation and bylaws and the transfer of $8.25 million from UCSF Medical Center, subject to equal contribution from Stanford, for initial capitalization of the venture. Atkinson also, in consultation with the chairman of the board and the chairman of the Committee on Health Services, will represent the Regents in the immediate formation of the 17-member board of directors to oversee the corporation. (See page 3 for the organizational chart.)

Officials at UCSF and Stanford initiated merger discussions last year in response to the growth of managed health care and probable reductions in state and federal support for academic health centers. UCSF and Stanford officials concur that a partnership is the best way to meet the challenges posed by the highly competitive managed care market, as well as continuing support for the medical schools' teaching and research efforts.

An independent team of business and health care consultants, headed by F. Warren Hellman, general partner of a San Francisco-based investment firm, last week declared the merger a "sound business decision" for UC. Copies of the team's report will be available in libraries on Parnassus and at Mount Zion.

UCSF is not alone in its strategy for fiscal health. Other UC academic medical centers are also pursuing business partnerships that will broaden the patient base as a way to support teaching and research missions. Before the Regents' health services committee voted unanimously Wednesday to recommend the merger to the full board, they and the Committee on Finance heard from officials at UC Irvine, who will choose between two of the largest for-profit health care providers in the US — Columbia and Tenet Healthcare — to arrange a lease agreement for its medical center by April. UC San Diego also is discussing a possible affiliation with two local health care organizations.

Critics of the merger, including labor unions, the California Association of Interns and Residents and the California Nurses Association, complained that they were denied confidential documents that outline the size and scope of potential layoffs in what they termed a "privatization" scheme. Some opposed to the merger stormed the Regents' table at the meeting Wednesday in an attempt to serve them a citizen's arrest warrant for "defrauding the taxpaying citizens." Six people were cited by UCSF police. Union representatives vowed to fight the decision in court.

On Thursday, San Francisco Superior Court Judge William Cahill rejected a request by merger opponents for a court order to block the Regents' vote. But Cahill requested that the University turn over to him numerous confidential financial documents related to the merger. Cahill says he will soon rule on whether the documents should remain exempt from public records disclosure laws.

Jeff Blair, UC counsel, called the judge's order "routine." "I believe the court will find the documents that were withheld were withheld appropriately. I am also not in the least bit concerned that, if documents are produced, they will at all sway public opinion."

Public disclosure or discussion of some aspects of the merger is precluded by terms of the confidentiality agreement executed by UCSF and Stanford earlier this year. The agreement ensures that sensitive, non-public information regarding financial and other matters will remain confidential.

Supporters of the merger include all of the clinical and basic science chairs in the UCSF School of Medicine, who voted unanimously Tuesday to endorse it. Charles Wilson, famed neurosurgeon and director of tertiary care services at UCSF, told the Regents Wednesday that he was initially against the plan but changed his mind after he studied the financial analysis. "I believe UCSF's future is most secure in its eminent position with a merger with Stanford," he said. "I would not ask you to support something that I did not believe was in the best interests of UCSF."

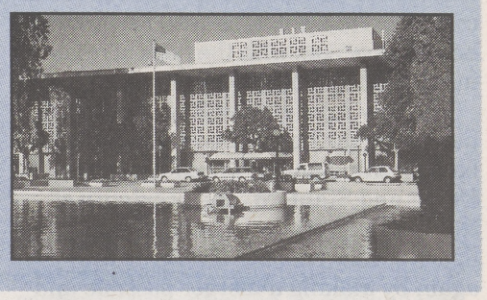
Paul Frieman, chair of the UCSF Foundation and former chair and chief executive officer of Syntex Corp., told the Regents that the merger makes "good sense in this era of change."

— Staff writers Lisa Cisneros and Brad Foss and the UCOP contributed to this report.

Merger unites four hospitals

The merger involves four hospitals — UCSF Medical Center, UCSF/ Mount Zion, Stanford University Hospital, and Lucile Salter Packard Children's Hospital at Stanford — plus Langley Porter Psychiatric Institute and related faculty practice plans and clinics (excluding faculty practices at San Francisco General Hospital, the Veterans Affairs Medical Center, and UCSF Fresno).

Pictured below, left, is Packard Children's Hospital and at right, Stanford Medical Center.



Merger steps and timeline

November 1995: UCSF and Stanford announce the possibility of a merger.
May 1996: UCSF holds a town hall meeting on the proposed merger.
July 1996: The UC Board of Regents votes 14-4 to approve the governance structure for the proposed merged entity — a key step in the approval process. See organizational chart on page 3.
September 1996: Lucile Salter Packard Children's Hospital formalizes alliance with Stanford Health Services.
Nov. 8, 1996: An independent review team analyzed the business plan prepared for the merger and delivered a report that declares the merger a "sound business decision for the University of California."
Nov. 12, 1996: Clinical and basic science chairs in the UCSF School of Medicine vote unanimously to support the merger.
Nov. 13,1996: The UC Regents' committees on health services and finance vote unanimously to approve the formation and capitalization of the joint entity to be called UCSF Stanford Health Care (USHC).
Nov. 15, 1996: The full board of the UC Regents votes 14-2 to approve the formation and capitalization of USHC.

WHAT HAPPENS NEXT?

The Regents next will be asked to name one of the two statutory members — along with Stanford — of USHC and to provide half of its start-up funding of $8.5 million. In addition, the Regents will be asked to approve a process for selecting the UC representatives on the board and the independent directors. In January 1997, the Regents will be asked to approve a process for the authorization and execution of key transaction documents. It is projected that the transaction will close on July 1, 1997.

WHAT OTHER STEPS MUST BE TAKEN TO CREATE THE MERGED ENTITY?

The filing of the articles of incorporation and the selection of the new entity's board of directors starts a process which would include the following steps over the seven-to eight-month period:

- Appointment of a chief executive officer and chief medical officer.
- Creation of an organizational structure and appointment of senior officers.
- Legal filings for antitrust, licensure, and general corporate matters.
- Obtaining necessary regulatory clearances.
- Assignment of outside leases and development of leases for university properties.
- Creation of a staffing plan and compensation system, development of terms and conditions of employment, and establishment of personnel policies and procedures.
- Design of personnel and payroll information systems.
- Creation of a new general ledger and determination of initial balances.
- Assignment of third-party payor contracts and filings necessary to obtain reimbursement from government programs.
- Development of a treasury function.
- Debt analysis and negotiation.
- Creation of a risk management program.
- Development of purchasing policies.
- Development of a detailed marketing plan to achieve revenue targets.
- Cost-reduction plans with specific milestones.
- Establishment of the UCSF Stanford physician group and preparation for clinical service integration.
- Establishment of consistent patient care policies and procedures across practice sites.
- Creation of the initial budget, including refined data and allocation methodologies for the flow of professional service funds to the schools.
- Completion of legal and facilities due diligence.
- Management of the closing process.

To fund these activities through June 30, 1997, UCSF and Stanford would capitalize the corporation in the amount of $16.5 million, to be split equally between the parties.

Q&A

Answers to frequently asked questions about the merger

UCSF and Stanford have always been rivals. Why merge the hospitals, faculty practices, and clinics?

All academic medical centers are searching for strategies to survive the managed care revolution and other dramatic changes occurring in the health care system. Some of the country's most prestigious institutions already have eliminated programs and reduced the scope of their missions to meet harsh demands to reduce costs. Others are joining with for-profit hospital systems with the hope of retaining their excellence and innovation.

The Bay Area always has been fortunate to be the home of two of the world's best teaching and research hospitals — UCSF and Stanford. The proximity of the two institutions — only 40 miles apart — now benefits the Bay Area again by making a merger possible and preserving the very highest level of medical care, research, and education.

The merger would create one of the country's premier academic medical centers, ensuring the availability of highly specialized care in Northern California and making it more competitive.

An independent review of the proposal conducted for the UC Regents by a group of health care and business experts determined that the merger offers UCSF Medical Center a stronger financial future. A merged enterprise will be in a better position than the current UCSF Medical Center to support the UCSF School of Medicine, to provide care for indigent patients, and to expand patient services and preserve jobs, according to the review team's report.

Why can't two of the best medical centers in the Bay Area and the entire country remain independent and profitable?

The managed care revolution changing the country's health delivery system hits academic medical centers especially hard. Under managed care hospitals, doctors and other providers join together as health maintenance organizations or other business ventures in order to contract with large groups of patients. Managed care programs try to reduce costs while maintaining high-quality health care. Along with other economic challenges that pose special problems for academic health centers, including reductions in research funding and looming cuts in Medicare, the rapid changes and cost-cutting pressure threaten the survival of even the very best institutions.

Academic medical centers play a unique role in the health care system. They provide the most sophisticated methods of fighting diseases, conduct research that expands the boundaries of medical knowledge and train the doctors who will care for the next generation. They serve as the safety net providing care for many of the nation's poor, uninsured, and underinsured patients. And academic medical centers must bear the additional cost of providing these extraordinary services — expenses that competitors in a cost-driven market escape and insurers decline to pay.

Why can't the existing hospitals prevent financial losses by cutting costs and improving internal operations?

Expense reduction efforts over the past few years have been extensive and successful. UCSF Medical Center reduced departmental operating budgets by more than $52 million over the past four years. Managers have been asked to cut another 3.5 percent of their budgets for the coming fiscal year.

Over the same four-year period, Stanford Health Services reduced costs by $74 million.

Without these efforts, the medical centers wouldn't have achieved their modest operating gains. To achieve significant reductions in the future, the medical centers must find ways to reduce their infrastructure costs, a very difficult task as stand-alone institutions.

What will be the specific financial benefits of the merger?

The marketing advantage created by the merger could result in additional revenue of $50 million over a two-year period, according to the review team. At the same time, the lower cost of operating as a single unit would save about $44 million, the review team reported. The merged operation also would avoid about $7.8 million in capital expenditures that would be required if the hospitals remained separate, according to the report.

How could a merger of two financially challenged medical centers result in one strong institution?

Through economies of scale, elimination of duplication, and strengthening our market position, Stanford and UCSF can accomplish more by merging than by pursuing independent strategies.

- The merger will create opportunities for cost savings through consolidation of services, particularly in support areas such as finance, human resources, information systems, and materiel management. A single administration will result in substantial reductions in executive and management positions.
- Even greater long-term savings will result from reduced duplication in capital investment. Without the merger, the institutions must continue to compete in an expensive medical equipment "arms race," matching MRI for MRI and gamma knife for gamma knife.
- The combination of UCSF Medical Center and Stanford Health Services would make the merged enterprise the market leader in 20 out of 26 medical specialties studied by the independent review team. The combined medical center could attract additional patient referrals by making it possible for the merged enterprise to offer lower prices for specialty care and broader geographic coverage.
- Lower costs made possible by the merger would improve UCSF's ability to offer better deals to managed care plans.

What is the current financial situation of UCSF Medical Center?

Over the past five years, UCSF Medical Center has experienced a significant decline in patient days, largely the result of shorter hospital stays and the transfer of inpatient services to outpatient clinics. Over the same period, UCSF's operating gain fell to $1 million in the fiscal year ending in 1995 from $9.5 million in 1990.

UCSF was projecting an operating loss for the 1995-96 fiscal year but had an operating gain of $3 million due to increased volume, cost reductions, and payment changes. This amounts to less than a 1 percent margin for an institution with an annual budget of $450 million.

The operating gain provides the cash reserve needed to pay for all new medical equipment and for renovation and construction of facilities. If the medical center can't invest in new technology and clinical programs, it would not be able to attract patients seeking "state-of-the-art" solutions to health care problems. The UCSF Medical Center cannot survive long as a "break-even" operation.

If the UCSF Medical Center doesn't pursue the merger, its economic situation would continue to deteriorate, according to a financial forecast in the independent review.

How does the economic strength of the UCSF Medical Center affect the rest of the campus?

In addition to serving as a teaching environment and a site of clinical research, the Medical Center provides about $20 million in financial support annually for the UCSF School of Medicine. The Medical Center can continue to provide this kind of support only if it remains economically strong.

What is the financial situation of Stanford Health Services?

Stanford Health Services earned a profit of $1.68 million in fiscal year 1994-95, a period in which many Bay Area hospitals posted major losses. Stanford expects to have earned an operating gain in 1995-96 of $2.75 million and a net gain of $29 million, which includes investment income.

According to the independent review team, the combined operations of Stanford Health Services are at least as financially healthy as UCSF Medical Center.

How would the merger affect medical education?

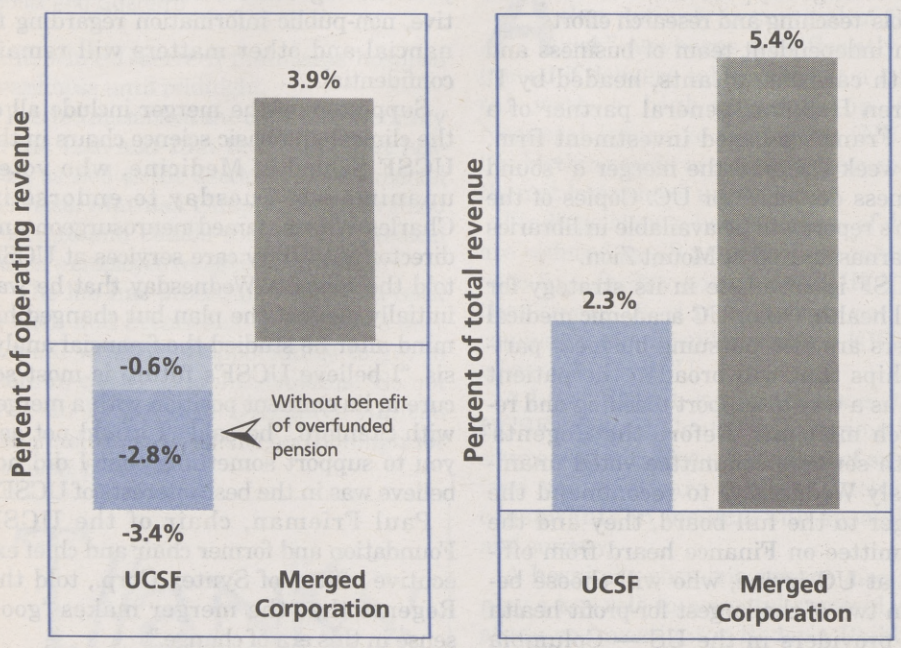
The merger would provide a patient base large enough to ensure that medical students and residents acquire the hands-on training they need.

With increasing emphasis on the need for primary care physicians, fewer and fewer students are choosing residencies in anesthesia, radiology, ophthalmology, and other specialties. The merged medical center would be in a better position to plan changes in training programs. In the case of some residency programs that have contracted to critically small sizes, the merger could help the schools to preserve the programs by combining them.

In addition, changes in patient volume have created difficulty for the schools of medicine in providing adequate clinical rotations to third- and fourth-year students in several disciplines. The rapid decline in the number of hospitalized patients results in fewer opportunities for medical students to see and treat a wide range of conditions. A larger merged medical center would dramatically improve the opportunities for "hands-on" learning experience.

Independent UCSF and Merged Entity Comparison

The operating and total profit of the merged corporation are both estimated to be well above UCSF's stand-alone forecasts.



1. Operating profit excludes investment income, gifts, CTS, and other non-operating revenue.
2. Total profit includes investment income, gifts, CTS, and other non-operating revenue.

Source: *Third-Party Review Report*, Nov. 8, 1996

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How can the University of California sell or give away public assets?

The merger would not involve the sale or give-away of public assets. The assets transferred to the new entity would continue to support UCSF's missions.

Funds generated by faculty members caring for patients at the merged enterprise would continue to flow to the UCSF School of Medicine. Clinical funds are used to support faculty salaries and for the recruitment of new faculty, for office and laboratory renovations, as seed money for new education or research programs, and to provide bridge money for faculty members facing gaps in research grants.

Under Article IX, section 9, of the State Constitution, the Regents are vested with the legal title and the management and disposition of the property of the University of California and property held for its benefit. The Regents hold full powers of organization and government, including the authority to convey assets to a nonprofit organization as part of the contemplated merger.

There would be no gift of public funds as the assets would be dedicated to the support of the university's education, research and charitable mission. The people of the State of California would continue to benefit directly from the activities of the merged entity. In the event the merged entity is dissolved, ownership of the merged entity's assets would be transferred to the Regents and the Stanford Trustees in accordance with a mutually agreed distribution plan.

Would the merger require voter approval? Legislative approval? An EIR?

The UC Regents and Stanford Trustees must approve the proposed merger. No legislative or voter approval is contemplated at this time.

Campus leaders have kept the mayor and members of the San Francisco Board of Supervisors and members of the State Legislature informed of the progress of the discussions. The proposed merger would be an item for discussion at the state Senate's Budget and Fiscal Review Committee later this year in Sacramento.

No EIR is required at this time because the formation and capitalization of the proposed new entity is exempt from the provisions of the California Environmental Quality Act. The formation and capitalization process would not result in any physical changes in the environment. Future developments or actions by the proposed new entity may require further environmental review.

What steps have been taken to inform the public and employees about the discussions?

Public discussion of some aspects of the proposed merger is precluded by the terms of confidentiality agreement executed by the parties earlier this year. As part of the merger discussions, the parties needed to exchange sensitive, non-public information regarding financial and other matters. The agreement ensures that this information will remain confidential.

However, UCSF asked employees to comment on the proposal at a town hall meeting on May 3 and through information published in Newsbreak. In addition, campus leaders have been engaged in ongoing discussions with faculty members through the UCSF Academic Senate; faculty chairs of UCSF and Stanford departments have met together for joint discussions; and the chancellor has communicated directly with UCSF employees through electronic mail and written memoranda.

The campus also has been engaged in discussions with UCSF staff representatives in an attempt to resolve concerns regarding the effects of the merger.

The Board of Regents has discussed the merger proposal at regular monthly meetings in May, June, and July and heard a wide range of opinions during public comment periods.

Board of Directors for UCSF Stanford Health Care (USHC)

USHC Board of Directors (17 members)

UC members	Stanford members	USHC	Outside directors
■ Three Regents - President of UC - Two others ■ Dean of UCSF School of Medicine ■ Chancellor of UCSF ■ Faculty member of UCSF School of Medicine	■ Three Trustees ■ President of Stanford University ■ Dean of the Stanford University School of Medicine ■ Faculty member of Stanford University School of Medicine	■ CEO of USHC ■ Chief Medical Officer	■ Three outside Directors
▼ Six members (35%)	▼ Six members (35%)	▼ Two members (12%)	▼ Three members (18%)

Source: *Third-Party Review Report*, Nov. 8, 1996

Is this part of a plan to "privatize" UC hospitals?

The new entity would not be regulated by the state as a public enterprise. The new entity would be organized as a private, nonprofit public benefit corporation in which the UC Regents and Stanford Trustees would be the only statutory members. The new entity would exist for the purpose of supporting the education, research, and clinical mission of the UCSF School of Medicine. The universities would retain ownership of the land and buildings and lease the facilities to the new entity on a long-term basis.

How would the public be kept informed of the new entity's actions?

While the board of directors of the new entity would not be subject to the Public Records Act or open meeting requirements, the board would be accountable ultimately to the corporate members, UC and Stanford, which will receive periodic reports on the organization's finances and programs. Reports made to the Regents are subject to the Public Records Act.

Who would sit on the board of the new nonprofit corporation established to operate the merged organization?

Under the governance plan approved in July 1996 by the Regents and the Stanford Trustees, the board would consist of 17 members. UC's six representatives would be UC President Richard C. Atkinson or his designee and two other members of the Board of Regents, the UCSF Chancellor, UCSF School of Medicine Dean Haile T. Debas, and one other member of the UCSF School of Medicine faculty. Stanford's representatives would be two Stanford trustees, Stanford President Gerhard Casper, Stanford School of Medicine Dean Eugene A. Bauer, one other faculty member of the Stanford School of Medicine, and one other Trustee selected by the Stanford Trustees. The new board also would include the chief executive officer of the new entity, the chief medical officer of the new entity, and three independent directors.

How would Bay Area consumers — including UCSF and Stanford's current patients — be affected?

The health care system created by the merger would ensure widespread access to all types of care, from routine examinations to the most advanced treatments and procedures. The merged medical center would operate hospitals and outpatient practices in San Francisco, Palo Alto, and other satellite locations. Over time, smaller programs and services for which people might be willing to travel might be combined at one location.

How would the merger affect San Francisco General Hospital and the San Francisco Veterans Affairs Medical Center?

The City and County of San Francisco owns and operates SFGH. Through a century of cooperation, the UCSF School of Medicine has provided medical care at SFGH through its faculty and residents. Because the merger would not include the UCSF or Stanford medical schools, it does not incorporate the separate agreements with SFGH or the San Francisco VAMC.

How would the merger affect care for low-income and poor patients?

UCSF and Stanford each has a history of serving low-income, underinsured, and indigent clients.UCSF provides about $66 million annually in unreimbursed expenditures for low-income patients, including $60 million in services for Medi-Cal and county programs and $6 million in charity care.

The independent review found that 26 percent of UCSF patients and 20 percent of Stanford/Lucile Packard's patients represented indigent care. The review team stated that it does not believe the merger would adversely affect those levels. By improving the financial performance of the medical centers, the merger would be expected to result in a greater ability to continue providing indigent care than would be possible if the medical centers continued to operate separately.

Would patients be able to remain members of their current health maintenance organizations and still see UCSF or Stanford doctors?

That depends on the insurance contracts negotiated by the merged medical center, but it would be likely that the new corporation would keep access open to current patients.

What would the consolidation mean for referring physicians?

A key priority of the merged medical center would be making referrals easier and more attractive. It would expect to attract additional referrals through an expanded number of sites, extensive faculty expertise, documented better outcomes, and competitive prices.

What kind of changes can current UCSF patients expect?

Except for the larger number of clinics available to them and a new name for the merged entity, patients who currently receive care at UCSF or Stanford initially probably won't notice much change. The facilities at each location would continue to provide a full range of services. The merged entity would operate hospitals and outpatient practices in San Francisco, Palo Alto, and other satellite locations.

Would the merged entity close clinical programs at one major site or the other?

Some observers have expressed concern that services such as children's care or cancer treatment could be consolidated at a single site, but that kind of change is very unlikely for such large departments. Even if a common cancer center were established, for example, services such as chemotherapy, radiation therapy, and surgery would remain available at both major sites to serve the patient populations in San Francisco and the South Bay.

Over time, smaller programs and services that can achieve substantial cost savings through consolidation and for which people would be willing to travel might be combined at one location.

How would a decision to combine programs be made?

Any changes in clinical programs would be made by the merged organization's executive group, which is expected to include the chief executive officer, the chief medical officer, the deans of the two medical schools, and other physician leaders representing both UCSF and Stanford.

The proposed affiliation agreement specifies that the factors to be considered in making clinical program decisions will be the following: the program's financial viability, the impact on medical student and postgraduate education, the impact on research, the availability of facilities, the compatibility of other programs, the availability of personnel, other costs, and the availability of external funding.

What kind of opportunities to strengthen clinical services would be created by the merger?

The creation of a single children's service encompassing the programs of the Lucile Packard Children's Hospital and the UCSF Children's Medical Center would establish one of the most powerful and distinguished programs dedicated to the health of children in North America.

A preliminary review of children's health services identified many opportunities to strengthen teaching and research programs, including improving clinical outcomes, reducing costs, avoiding duplication of investment in technology and specialized personnel, and extending outreach services throughout Northern California.

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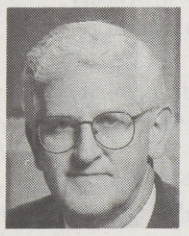
What supporters say about the merger

Haile Debas
Dean, UCSF School of Medicine

Like you, I am exceedingly sorry that Chancellor Martin will not be here to shepherd and guide the merger in its early years. We, his colleagues at UCSF, fully understand his desire to return to those elements of academic life that are near and dear to all of us: the students, the faculty, the curriculum and research, and we wish him well. Although fashioning this merger cannot depend upon one individual, the departure of such a key person may provoke anxiety about the future of the process. Therefore, I would like to reiterate my belief in the importance of this merger and to reaffirm my commitment to the deanship for the next several years.



Joseph Martin
Chancellor of UCSF

Simply put, with all that is arrayed against us, we will be better able to ensure superior medical education and advanced medical care together than apart. We can't turn back the clock; we can't wish the problems away. We can only deal with today's reality and strive to guarantee tomorrow's promise. That is what the public expects and what we, as leaders, must achieve.

Laura Esserman
Assistant Professor, UCSF department of Surgery

I spent 17 years at Stanford — from medical school, fellowships and graduate training to faculty — and have been at UCSF for three years, where I am co-director of the Breast Cancer Center and a member of the surgical faculty.

I see the merger as an opportunity to consolidate complementary strengths at a time of market turbulence. This merger has the potential for talented and devoted clinicians and scientists to develop and offer jointly cutting edge clinical progress.

Bill Kerr
UCSF Medical Center Director

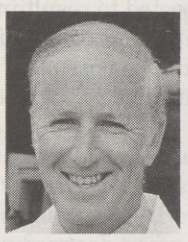
The proposed merger would allow us to achieve tens of million of dollars in savings through infrastructure and management reductions — not reductions in bedside care. It would also position us to serve a larger portion of the market, thereby offsetting the staff reductions in support areas by a growth in direct care-givers.

The merger of these two outstanding clinical enterprises presents an opportunity for unparalleled accomplishment in education, research and patient care.

Jane Rowe
President, Hospitals Auxiliary of the UCSF Medical Center

We all understand the tremendous importance of UCSF's mission to the community, in teaching, research and patient care. Yet, underlying all of this is one key element that I call the "people factor."

You have been shown and told all the business reasons to approve the proposed merger with Stanford. These are valid concerns, but the most compelling justification for this timely partnership is the "people factor" — families who need UCSF.



Larry Shapiro
Chair of the UCSF department of Pediatrics

During the course of the past ten months, careful analysis of more than 32 children's programs currently in operation at UCSF and at Stanford has shown remarkable areas of complementarity and has allowed us to develop a plan that will permit us to continue to offer the full range of pediatric programs, to enhance our outreach programs to many regions of California while avoiding needless duplication, and to develop a children's health system of unparalleled quality, potentially the best in the world.

It has been said that the true measure of the humanity of a society is the manner in which it treats its weakest, most vulnerable citizens, and its most precious resource, its children. I believe that together, UCSF and Stanford are capable of truly great things.

Q&A

How the merger will affect UCSF employees

Would the merger result in a large number of layoffs?

The streamlining expected as a result of the proposed merger obviously could result in some job losses, particularly among administrators, but if the merged operation draws the increased number of patients predicted, it would require additional employees in some clinical areas. On balance, more jobs would be created than lost, according to the independent review.

Campus leaders have assured staff members that the merged medical center would offer employment to at least 95 percent of all UCSF employees directly affected by the formation of the new organization.

Currently, there are 4,940 UCSF Medical Center employees. This means the new entity would be required to make job offers to at least 4,693 UCSF employees. When the number of non-Medical Center UCSF employees directly affected by the merger can be determined, that number would be added to 4,940 and at least 95 percent of the revised total would be offered jobs.

Would wages remain the same?

As part of the merger agreement, UCSF would require that the merged organization offer a base wage or salary at least equal to the amount each employee earns at UCSF and to continue that base wage or salary for at least the first two years of employment with the new entity.

Would employees receive credit for their length of service at UCSF?

UCSF would require that length of service be credited for terms and conditions of employment where the new entity uses length of service as a factor.

Would employees be allowed to transfer accrued time to their new jobs?

UCSF would require that employees be allowed to transfer accrued compensatory time off, vacation, and sick leave balances for use at the new entity, although the new entity may establish new vacation and sick leave policies.

Would employees be required to complete a new probationary period with the new entity?

UCSF would require that employees who have successfully completed their probation with UCSF not have a new probationary period.

Would the new entity offer benefits and retirement plans to employees?

UCSF would require that the new entity provide a health plan, dental plan, vision plan, disability plan, life insurance plan, and retirement plan for former UCSF career employees.

What would happen to the retirement plans of employees who are members of the UC retirement program and are hired by the new entity?

This is one of the most difficult issues UCSF faces in the merger planning effort. Campus officials are continuing to explore possible solutions and to work with UCSF staff representatives in an effort to come to an agreement.

Would salaries and terms be the same at the medical centers in San Francisco and Stanford?

The merged enterprise would make decisions about pay and benefits. Differences currently exist between and among the compensation packages at UCSF and Stanford, and the new entity would have to find a way to resolve the differences.

The merged enterprise also would be expected to offer pay and benefits packages that are competitive with those of other major health care providers. To compete effectively, the new organization would need to attract and retain the best employees by offering competitive compensation packages.

Would jobs be lost through elimination of clinical programs?

Some jobs may be lost through consolidation or other business decisions made by the new entity. New jobs also may be created through expansion. The merged medical center, faculty practice and clinics are expected to be in a better financial position to protect clinical programs and staff positions at all of its sites than would be possible if UCSF and Stanford continued to operate separately.

Would employees be asked to work at a different site?

There may be some relocation of staff as the new entity brings together the corporate functions of the organization. But because hospitals and outpatient practices would operate in both San Francisco and Stanford, the work location of most health care professionals and patient care support staff likely would not be affected.

Do the institutions have the same unions? How would unionized employees be merged?

The medical centers do not have any of the same unions. The new entity would bear the responsibility of resolving these questions with its employees under National Labor Relations Board guidelines.

What would the affirmative action policy be at the merged institution?

The new entity would establish its own policy.